

Message Text

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PAGE 01 STATE 036609

61

ORIGIN ARA-10

INFO OCT-01 ISO-00 AID-59 FDRE-00 IGA-02 EB-07 L-03 IO-11

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DRAFTED BY GC/LA:LUNDY/WILLIAMS

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TO AMEMBASSY MANAGUA PRIORITY

AMEMBASSY GUATEMALA

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FOR RLA FROM GC/LA, FOR ROCAP

E.O. 11652: N/

TAGS:

SUBJECT: PROCUREMENT UNDER AID LOANS

REF: MANAGUA 320

1. BELIEVE PROBLEMS RAISED IN REF MAY BE SATISFACTORILY
APPROACHED AS FOLLOWS:

2. FOR GOODS AND SERVICES PURCHASED IN CACM, BUT NOT OF
CACM ORIGIN AND NOT IMPORTED FOR PURPOSE OF SALE IN
CONNECTION WITH AID PROJECT, APPLICATION OF APPROPRIATE
SHELF RULE (E.G. APPENDIX H TO M.O. 1441.2, ATTACHMENT H
TO HB 11, CHAPTER 3) WOULD PERMIT FINANCING OF GOODS AND
SERVICES OF NON-CACM ORIGIN WITH LOCAL CURRENCY BY VIRTUE
OF THOSE GOODS AND SERVICES BEING DEEMED TO BE OF CACM
ORIGIN. NATURALLY THE BORROWER SHOULD BE ADVISED OF THE
AVAILABILITY OF THIS EXCEPTION TO LOCAL CURRENCY FINANCING

UNCLASSIFIED

PAGE 02 STATE 036609

PROCEDURES THROUGH IMPLEMENTATION LETTER OR AN ATTACHMENT

TO THE I.L. LIKE THE CPG'S.

3. IT APPEARS THAT THE SHELF RULE, IN EITHER ITS EARLIER OR ITS PRESENT VERSION, SHOULD EASILY PERMIT THEPROCUREMENT WITH LOCAL CURRENCY OF U.S. MANUFACTURED MOTOR VEHICLES FROM LOCAL SOURCES, ASSUMING THE VEHICLES MEET

TESTS OF REASONABLENESS OF PRICE AND OTHER APPLICABLE CRITERIA.

4. RE PARA 3 REF, WE ASSUME THAT BY "NONSHelf ITEMS" YOU MEAN ITEMS WHICH WILL BE IMPORTED FROM CODE 941 COUNTRIES FOR USE IN CONNECTION WITH AN A.I.D. PROJECT. SUCH GOODS AND SERVICES ARE PROCURED FROM OVERSEAS SUPPLIERS. THEIR SOURCE AND ORIGIN WILL BE, E.G., CODE 941, AND DOLLAR PAYMENT UNDER STANDARD SECTION 7.01 WILL BE PERMITTED. NOTE THAT DETERMINATION OF SOURCE IS MADE AT TIME OF PURCHASE (SEE M.O. 1442.3 SECTION 5.2(A) AND HB 11, SECTION 3E2). KISSINGER

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